GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5205
ANSWERED ON:11.05.2007
" UNPOPULARITY OF MIS OF POSTAL DEPARTMENT"
Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether the Postal Department Monthly Income Scheme (MIS) is became unpopular among the small investors;

(b) if so, whether the Government has withdraw bonus on maturity;

(c) if so, whether nearly Rs. 14,400 crores has broken out of the MIS net between April and Dec. 2006 alone;

(d) if so, whether the Government has made any assessment of the performance of MIS after the withdrawal of bonus;

(e) if so, the details thereof;

(f) the number of renewal of accounts after maturity registered during the said period as compare to corresponding period of previous year; and

(g) the remedial steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE : (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The net outstanding amount in the Post Office Monthly Income Account Scheme (MIS) which stood at Rs.183540 crore as on April 2006, increased to Rs.190105 crore as on December 2006. However, option for premature closure subject to conditions is also available to depositors, which may be exercised for various reasons, including inter- alia investors' preference for various alternative avenues of investment available to them. No bonus is payable on deposits in accounts opened on or after 13.2.2006 under the Post Office Monthly Income Account Scheme. However, deposits in accounts opened before 13.2.2006 continue to be eligible for bonus as hithertofore.

(c) to (e): The gross collection during April 2006 to December 2006 was Rs.21424 crore and net collection (i.e. gross collection minus withdrawals, which includes redemptions on maturity in each financial year) was Rs.7028 crore. However, during the same period net outstanding collection in the scheme increased by Rs.6565 crore. Notwithstanding withdrawal of bonus on deposits in accounts opened with effect from 13.2.2006, the effective return under the scheme at 8 per cent per annum payable monthly is higher by 45 basis points than the return on the average yield of Government securities of comparable tenor.

(f): There is no provision of renewal of account after maturity in MIS.

(g): To encourage the depositors to hold their deposits till maturity, a deduction at the rate of one per cent of the deposit has been made applicable if the account is closed after 3 years. In addition, Central and State Governments take various measures to promote small savings schemes through print and electronic media, arranging seminars and meetings, providing training to the various agencies involved in small savings collections, etc.